

## STATE OF CALIFORNIA

## Budget Change Proposal - Cover Sheet

DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 7730	Department Franchise Tax Board	Priority No. 1
Budget Request Name 7730-001-BCP-BR-2016-GB		Program 6280	Subprogram 6280010/6280019

Budget Request Description  
Enterprise Data to Revenue Project

## Budget Request Summary

The Franchise Tax Board (FTB) requests 198 positions and \$68 million General Fund (\$53.3 million is the anticipated Solution Provider payment) in 2016-17 and \$61.4 million General Fund (\$27 million is the anticipated Solution Provider payment) in 2017-18 to support FTB's maintenance and operations of the Enterprise Data to Revenue (EDR) project and support ongoing operational programs. 2016-17 is the final year of the EDR project. The proposal also requests an ongoing augmentation supporting ongoing expenditures beginning in 2018-19 associated with maintaining and refreshing the multiple new hardware and software implemented as a result of the EDR project. To date, the project is on schedule with all deliverables and revenue. Revenue generated from the EDR project is anticipated to be between \$973.4 million and \$1.2 billion for 2016-17 and \$968.7 million and \$1.2 billion for 2017-18. The EDR project is a 66 month IT project that will modernize FTB's processes and systems and will generate between \$4 billion and \$4.7 billion in revenue for the state over the life of the project.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO <i>Cathy Cleek</i>	Date <i>12/17/15</i>

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

FSR       SPR #2      Project No. 7730-191      Date: 6/09/14

If proposal affects another department, does other department concur with proposal?       Yes       No  
*Attach comments of affected department, signed and dated by the department director or designee.*

Prepared By <i>Dixie Berteau</i>	Date <i>12-17-15</i>	Reviewed By <i>Thom A. Musser</i>	Date <i>12/17/15</i>
Department Director <i>Sader</i>	Date <i>12/17/15</i>	Agency Secretary <i>Janice Baker</i>	Date <i>12/14/2015</i>

## Department of Finance Use Only

Additional Review:  Capital Outlay     ITCU     FSCU     OSAE     CALSTARS     Dept. of Technology

BCP Type:       Policy       Workload Budget per Government Code 13308.05

PPBA <i>[Signature]</i>	Date submitted to the Legislature <i>1/7/16</i>
----------------------------	--

## Analysis of Problem

### A. Budget Request Summary

The Franchise Tax Board (FTB) requests 198 positions and \$68 million General Fund (\$53.3 million is the anticipated Solution Provider payment) in 2016-17 and \$61.4 million General Fund (\$27 million is the anticipated Solution Provider payment) in 2017-18 to support FTB's maintenance and operations of the Enterprise Data to Revenue (EDR) project and support ongoing operational programs. 2016-17 is the final year of the EDR project. The proposal also requests an ongoing augmentation supporting ongoing expenditures beginning in 2018-19 associated with maintaining and refreshing the multiple new hardware and software implemented as a result of the EDR project. To date, the project is on schedule with all deliverables and revenue. Revenue generated from the EDR project is anticipated to be between \$973.4 million and \$1.2 billion for 2016-17 and \$968.7 million and \$1.2 billion for 2017-18. The EDR project is a 66 month IT project that will modernize FTB's processes and systems and will generate between \$4 billion and \$4.7 billion in revenue for the state over the life of the project.

### B. Background/History

As of June 30, 2015, the EDR project is 81 percent complete and is approaching the last year and warranty period for the project. Since the project is now near completion, an assessment of the actual on-going needs to perform the maintenance and operations post-project for 2016-17 through 2020-21 has been completed. The proposed changes are necessary for the project to sustain its on-going annual \$1 billion revenue projection once the state takes over the full maintenance and operations of the EDR solution post-project. The project continually undergoes a thorough review and approval process, as well as scheduled reporting at appropriate milestones.

The EDR Feasibility Study Report (FSR), project number 7730-191 (formerly 1730-191) was approved on January 10, 2009. A Special Project Report (SPR#1) was approved on March 24, 2011, prior to awarding the contract to the Solution Provider. Subsequent legislation establishing the Financial Institution Record Match (FIRM) program required an SPR Addendum, approved on November 14, 2011, which added FIRM to the scope of the EDR contract. A Special Project Report (SPR#2) was approved on June 9, 2014, to modify the project objective related to Business Entities Tax System maintainability. A Special Project Report (SPR#3) was approved on April 1, 2015, to allow for a Business Entities Return Analysis (RA) ramp-up approach employing temporary help positions for business area support and an upgrade to vendor staff expertise to support knowledge management in 2015-16.

Since EDR was approved in 2009-10, funding for the project has been subject to annual review through the budget process, requiring approved Budget Change Proposals or Finance Letters to support the project. The EDR project was created to solve the following business problems. The business problems that EDR will solve have remained unchanged with the exception of #6 below, which was modified under SPR#2 to account for the resolution of end-of-service issues for certain software:

1. Filing Business Processes – Return processing uses limited data and is labor intensive.
2. Data Availability – Data is stored in multiple systems and is difficult to access. Needed data is often in separate systems, and, therefore, data is underutilized, redundant and untimely, resulting in lost revenue opportunities.
3. Data Analysis – Data analysis tools are limited.
4. System Redundancy and Reuse – Systems are not leveraged.
5. Filing Self-Services – Taxpayer self-services are limited.
6. Business Entities Tax System (BETS) Modifications – Per SPR#2, certain intended modifications will not be made based on the vendor's continued support of the software and risk mitigation factors. However, consistent with the original plan, other processes currently performed within BETS will be simplified and provide data back to the BETS accounting system in a real time environment resulting in more efficient and intuitive processes.

## Analysis of Problem

The solution adopted by the EDR project implements improvements to FTB's enforcement capabilities as well as taxpayer self-assessment and better positions the department to address the business problems identified in the FSR as well as the current annual tax gap of over \$10 billion in taxes that are owed to the state but currently unpaid. The EDR solution also offers significant improvements to FTB's operational efficiency through an enterprise approach to data sharing and modernization of existing IT systems. This improved sharing of existing data is resulting in significant new and improved revenue streams. Additionally, EDR will enable FTB to implement new self-help tools for taxpayers and tax practitioners to simplify the process of filing a return or paying taxes due.

EDR is a "benefits-based" project which means the Solution Provider will be paid from the revenue generated by the EDR solution, up to a fixed amount, as project deliverables are achieved. The Solution Provider will be paid on a quarterly basis, based on their completed deliverables and the available benefits generated during that quarter. The first 25 percent of revenue will go directly into the state's General Fund and will not be available for the Solution Provider's compensation. Once the Solution Provider has been paid the total contract amount, 100 percent of revenue generated by the EDR solution will be deposited into the General Fund. During the project reporting period (2009-10 to 2017-18), EDR is expected to generate between \$4 billion and \$4.7 billion, and it is estimated that annual revenue after completion of the project will be \$1 billion more than FTB collected prior to the project beginning.

EDR touches all of FTB's tax systems and existing business processes, transforming the way FTB does business. FTB and the Solution Provider started the project with initial assumptions regarding existing processes, resource needs, opportunities, and solutions that needed to be validated by both parties. Over the last several years, FTB and the Solution Provider have worked collaboratively to validate and evolve the initial assumptions to improve operations to collect revenue, enhance taxpayer compliance, and provide superior taxpayer service.

EDR comprises four major components: return processing system, data warehouse, taxpayer folder (which includes additional taxpayer tools to enable self-compliance) and legacy systems changes. In addition to the services and efficiencies offered by these components, developing these four building blocks also allows FTB to implement technologies along the way that help generate additional revenue now. As of July 31, 2013, the EDR project has successfully implemented 20 Early Initiatives. These Early Initiatives have allowed FTB to maximize the collection of revenue and has provided enhanced customer service making it easier for taxpayers to do business with FTB.

As of June 30, 2015, the EDR project has also completed eight major releases on time and is on-track to deliver its one remaining release on schedule. The major releases are the larger and more complex implementation efforts associated with the project and have led to ongoing process improvements in individual and business entity return and payment processing functions, captured additional data from the returns, fully implemented the Enterprise Image Cash Letter process, fully implemented the scanning of correspondence to allow for electronic routing of correspondence based workloads, installed infrastructure necessary to continue building the enterprise data warehouse, deployed the Taxpayer Folder for use and testing by internal staff members with expected deployment to taxpayers by January 4, 2016, pilot implementation of the PIT Return Analysis system, enhanced taxpayer folder and fraud modeling, and expanded noticing service.

Design Stage 1, implemented between September 2012 and December 2013, resulted in reengineered business processes, installation of four new scanners, and new software that will allow FTB to realize the following improvements:

- Enhanced scanning capabilities allowing for faster processing of tax returns and refunds.
- Scan all pages of individual and business entity tax returns.
- Capture more data off the tax return and select attachments without requiring manual keying of this information.
- Deposit payments electronically into California's bank accounts.

## Analysis of Problem

- Permanently put in place a new return and refund processing system for individual and business entity income tax returns.

The expanded data capture from returns and attachments is a key component to realizing the project's revenue target. Capturing full images of the returns and payments allows FTB to eliminate paper, speed up processing, access more data via automated tools for compliance activities, and improve customer service. Consistent with the terms of the EDR contract, effective March 2014, the new processes and tools described above were transitioned to FTB for ongoing maintenance and operations.

Design Stage 2, implemented between June 2013 and September 2014 saw the implementation of:

- Initial functionality for the enterprise data warehouse.
- Full scanning and electronic routing of specific correspondence to the appropriate business areas, prioritizing it for access by a user, viewing certain tax returns and documents, and allowing comments.
- Deployment of the Taxpayer Folder and Case Management to internal staff.
- Delivery of the new MyFTB application to FTB:
  - The existing MyFTB Account application available today on FTB's public website will be enhanced with the implementation of the new MyFTB. The new MyFTB was made available to FTB's external security experts to conduct internal security testing before implementation to the public January 4, 2016.
  - After initial security testing was completed, but prior to releasing the application to the public, the new MyFTB was released to a limited group of internal users for additional testing to ensure it meets the highest levels of security, privacy and confidentiality.

Design Stage 3 implementation began December 2014 and continues through June 2016 and includes:

- Deployment of the PIT Return Analysis (RA) system
- Enhancements to the Taxpayer Folder to support the PIT RA workload
- Increased fraud data to support the new fraud modeling functionality
- Implementation of the Enterprise Noticing system to support RA and fraud functionality
- Increased collection data to support enhanced collection models

Upcoming releases will focus on final functionality for the enterprise data warehouse, deployment of the new MyFTB to taxpayers, and the deployment of the enhanced business entities return analysis. FTB has also begun and will continue to ramp up activities related to the successful transferring of knowledge regarding maintenance and operations of the new systems and processes.

Pursuant to Senate Bill 80 (Statutes 2015, Chapter 21), FTB is responsible for implementing California's Earned Income Tax Credit effective with the 2015 tax year. The approved 2015-16 Finance Letter #2 Earned Income Tax Credit, included \$13.4 million associated with the EDR schedule adjustments required to implement Earned Income Tax Credit within the mandated timeframe.

Revenue to date has exceeded projections for the first four years of the project. For 2009-10 through June 30, 2015, projections were \$1.2 billion, while actual revenue was \$1.8 billion (152 percent of projection). The EDR project will generate between \$4 billion and \$4.7 billion (with a continued emphasis on the \$4.7 billion) in revenue for the state over the life of the project.

As the review of the project related enhancements continue, FTB continues to watch the level of resources to address increasing and new workloads. As workloads decreased in volume or time commitment, FTB has redirected resources to other workloads with increased volumes or time commitments or to new workloads to maximize operations and revenue generating capabilities.

## **Analysis of Problem**

Through June 30, 2015, the EDR project has expended \$398 million (70.3 percent) of its \$565.9 million total cost (includes BCP expenditures plus redirected staff and OE&E). This proposal requests resources to continue with the implementation of the project in 2016-17, in accordance with the FTB FSR, SPR#1, SPR#2, SPR#3, SPR#4 and the EDR Contract.

See Attachment 1 for Resource History and Attachment 2 for Program Workload Measures (workload metrics).

### **C. State Level Considerations**

The EDR project will significantly improve the department's ability to address the state's annual \$10 billion tax gap through a strategically planned Tax Systems Modernization effort consistent with the FTB IT Strategic Plan, FTB IT Capital Plan, and enterprise vision incorporating state IT goals and objectives. The EDR project is a key step for aligning FTB's tax systems with the FTB Strategic Plan and FTB Enterprise Tax Business Vision. Approval of this request is critical to the success of the EDR project and sets the stage to achieve the corresponding state revenue objectives and IT goals at the lowest possible costs.

This proposal supports FTB's mission to fairly and effectively administer the state's tax system and the Strategic Plan Goals for Taxpayer Centric Service, Effective Enforcement, a Strong Organization and Operational Excellence.

The added revenue coupled with the improvement to taxpayer compliance will provide many long-term benefits to the state. Associated benefits not only increase the General Fund, but also improve the public's perception and awareness in order to fully support and accurately participate in the taxation process for the benefit of all Californians.

### **D. Justification**

Over the last 25 years, FTB's IT investments focused on improving the effectiveness of enforcement processes with the objective of bringing non-compliant taxpayers into compliance. These investments have generated measurable, positive results, including the filing of more tax returns and the collection of more past due taxes. While these investments were effective, the enforcement processes are the most costly way for FTB to conduct its business because they concern the recovery of noncompliance revenue. One of the goals of the EDR project is to improve the effectiveness of filing processes and thereby maximize compliance, and thus revenues, much sooner in the filing process—when the returns are filed and taxes are due. The EDR project costs are funded by the revenue benefits generated from the EDR solution. Upon implementation, the EDR solution will allow for operational improvements, taxpayer benefits, and tax revenue. More specifically the EDR project will assist in narrowing the \$10 billion tax gap by:

- Replacing the current return filing processes to improve efficiency, image and capture more return data, and correct more returns earlier in the filing process.
- Providing additional tools to identify noncompliance patterns and prevent fraudulent activity.
- Providing data as an enterprise asset to all authorized users, including taxpayers.
- Improving the assignment of non-filer, audit, and collection cases based on highest CBR.
- Providing reusable services to make functionality available and reduce maintenance cost.
- Providing the ability to retire redundant systems in the future.
- Expanding customer self-services by implementing new self-help tools for taxpayers and tax practitioners to ease burdens that may currently exist related to filing a return or paying taxes due.

## Analysis of Problem

The following requests are needed to support EDR's needs covering workload growth, maintenance, operations, and hardware/software needs—as outlined in the Department of Technology's Maintenance & Operations (M&O) Plan Guidelines<sup>1</sup>—covering a 5-year timeframe from 2016-17 through 2020-21.

- a) Exercise the EDR contract M&O options for 2016-17 and 2017-18.
- b) Refresh EDR hardware/software and purchase EDR M&O hardware, software, and 3<sup>rd</sup> party maintenance and support 2016-17 through 2020-21.
- c) Perform major version upgrades of the Security Database in 2016-17, and Case Management and Data Stage software in 2017-18.
- d) Increase FTB program resources to support full adoption and usage of the new EDR tools.
- e) Upgrade IT position classifications for increased knowledge levels required for M&O.
- f) Compensation payments to the Solution Provider in 2016-17 and 2017-18.

**a. Exercise the EDR contract M&O options for 2016-17 and 2017-18**

FTB will exercise the first two years only (2016-17 and 2017-18) of the optional five-year M&O options written in the EDR contract. This will provide FTB support for the critical EDR solutions for a total of 18 months at a cost of \$40.5 million. This option includes full support by the Solution Provider for all areas of M&O of the EDR solution while FTB finishes the full transition and knowledge transfer to the state. These costs do not include product upgrade costs.

**2016-17 (\$13.4 million)**

January 1, 2017 to June 30, 2017 - \$26.8/2 = \$13.4 million

**2017-18 (\$27.1 million)**

July 1, 2017 – December 31, 2017 - \$26.8/2 = \$13.4 million

January 1, 2018 – June 30, 2018 - \$27.3/2 = \$13.7 million

**b. Refresh EDR Hardware/Software and Purchase EDR M&O Hardware, Software and 3<sup>rd</sup> Party Maintenance and Support 2016-17 through 2020-21**

The EDR project doubled FTB's IT infrastructure. The department will therefore require additional baseline funding to assume the costs for on-going hardware and software licenses, equipment refreshes, and 3<sup>rd</sup> party support contracts. Beginning in 2018-19, FTB requests an ongoing augmentation of \$36 million a year to allow funding for these critical costs. In addition, FTB seeks approval to submit annual Planning Estimate Adjustments beginning in 2021-22 to address ongoing refresh costs and price increases. These amounts as estimated vary substantially from year to year depending on the refresh schedule.

(Dollars in thousands)

Request Category	2016-17	2017-18	2018-19	2019-20	2020-21
Hardware Refresh	\$264	\$10,092	\$5,953	\$21	\$1,725
Software Refresh	\$50	\$5,204	\$2,758		
Hardware Maintenance		\$1,348	\$5,723	\$5,497	\$5,881
Software Maintenance		\$1,588	\$24,962	\$26,210	\$27,720
Contract Support	\$23	\$188	\$23	\$23	\$323
<b>Total</b>	<b>\$337</b>	<b>\$18,420</b>	<b>\$39,419</b>	<b>\$31,751</b>	<b>\$35,649</b>

<sup>1</sup> Per the SIMM 160 Maintenance Operations Plan Guideline dated April 2011

## **Analysis of Problem**

### **c. Perform major version upgrades of the Security Database in 2016-17, and Case Management and Data Stage software in 2017-18**

Vendors for three main technologies supporting EDR are ending software version support shortly after the transition of the EDR solution to FTB. To avoid delays to taxpayer refunds and check cashing, which is a risk associated with upgrading such key technologies during filing season, FTB is requesting contract services with the EDR Solution Provider to help us upgrade the technologies in 2016-17 and 2017-18. These services are not covered by the current EDR contract or the EDR contract option period requested above.

#### 2016-17 (\$2.5 million)

Security Database Upgrade - \$2.5 million

#### 2017-18 (\$4.6 million)

Case Management Upgrade - \$2.75 million

Data Stage Upgrade - \$1.8 million

### **d. Increase FTB program resources for the EDR M&O period**

In order to ensure that FTB is able to fully utilize the tools delivered under the EDR contract and meet the revenue obligation under the terms of the contract, FTB is requesting additional program resources for business operations.

#### **Administrative Services**

##### *Human Resources (1 permanent position)*

The Business and Human Resources Bureau provides services that enable the FTB to recruit, develop, and maintain its workforce. In 2016-17, the EDR BCP will add 163 new permanent and temporary employees to the department. Human Resources staff will be deeply impacted by processing all of the new hire paperwork and ongoing processing, and the tracking and managing of several mandated tasks.

#### **Filing Division**

EDR has significantly impacted the Filing Division in the processing of income tax returns and the use of the information in return validation and fraud detection. This new process which captures the data from returns, payments, and correspondence is the crux of the EDR Project. This proposal requests the resources to sustain the revenue gains brought about by the successful implementation of EDR. These ongoing workloads will preserve and support FTB's full adoption and utilization of the EDR deliverables.

##### *Business Entity Return Processing (5 permanent positions)*

FTB requires a business analyst position that will provide valuable analytical and workload support for staff processing the most complex business entity returns. This analyst will work as a liaison between the Business Entities Section (BES) business area and other areas of the enterprise such as Filing Division, ARM Division, Audit Division, Administrative Services Division, and Financial and Executive Services Division to ensure that the processing of business entity returns are being handled correctly, timely, and have proper oversight and analytical support to ensure downstream operations such as collections and audit are not impacted with late or incorrect data. This staff member will:

- Be the point of contact for business users supporting other compliance activities regarding technical questions that arise.
- Provide technical and analytical assistance to staff and management within BES for workload questions, procedure changes, problem identification and resolution, and reporting.

With the greatly increased amount of data being captured due to EDR, this position will be critical to support the analysis and reporting of that data to the compliance areas throughout the department.

In addition, the Business Entity Return and Payment Validation is moving from an overnight batch-oriented process where returns and payments post to the legacy accounting systems overnight, to an online real-time environment where returns and payments will be posted to the legacy accounting systems in real-time as soon

## **Analysis of Problem**

as staff validates them. This change in workflow process impacts the quality review cycle of these cases from less urgent and time sensitive, to more urgent and time sensitive. FTB is requesting four additional positions to ensure FTB staff can clear review queues thus avoiding backlogs. This will greatly enhance the efficiency of the online real-time processing, and bills and refunds will not be artificially delayed.

*Data Capture (1 permanent position, 15 temporary help to permanent positions, 78 temporary help positions)*  
Key Data Operators perform the keying activities needed in order to update taxpayer information to the taxpayer accounts and various departmental systems. Prior to EDR, only the first three pages of personal income tax and business entity return information was data captured (schedules and attachment information was not captured). With the implementation of EDR, annually there has been an increase in personal income tax data and business entity data capture as more forms, tax years and fields are added. With EDR, the entire return including schedules and W-2s are data captured. The number of fields data captured has increased from 2,400 fields prior to EDR to 5,700 fields with EDR. For personal income tax returns, the addition of Optical Character Recognition (OCR) and 2 Dimensional (2D) Barcode creates an offset to data entry costs, however due to vendor participation and business decisions, not all forms include OCR and 2D Barcode and require full Key From Image data entry. OCR technology is also used for business entity returns, however, vendors are not participating in 2D Barcode for business entity returns and do not plan to in the future due to the complexity associated with business entities.

*Returned Mail (3 permanent positions and 17 temporary help positions)*

Returned Mail is all mail that is returned to FTB as undeliverable by the US Postal Service (USPS). The current Returned Mail process involves opening and sorting the envelopes into bins based on the last line of the return address listed on the envelope. If the letter sorter machine does not read or identify the last line of the return address the mail falls into the reject bin and staff manually sorts these notices that need to be routed to compliance staff throughout the department or the Information Capture and Banking Section (ICBS) for keying. All return mail is related to correspondence or communications FTB has issued to taxpayers. The most common types of return mail are for balance due notices, nonfiler contacts, or taxpayer notifications related to errors on tax returns.

Beginning January 2016, returned mail will be keyed into the Taxpayer Folder. In addition to the Returned Mail being extracted and sorted, the new process requires a technician to analyze an account to determine if the Returned Mail indicator has been updated with a current address by either the system or another user in the department. The new process involves searching for the account, researching the contact information and updating the address with the Returned Mail indicator and source (USPS) of the Returned Mail. The new Returned Mail workload provides better due process, allowing the taxpayer to respond to notices and other correspondence, therefore being tax compliant.

*Return Analysis (33 temporary help positions)*

One of the key components of the EDR Project is the new Return Analysis (RA) system, which is the final stage of return processing. RA is the new EDR process by which tax returns and payments are validated in order to correctly post to the accounting system. RA replaces the current return validation processes and systems. In the new RA system, expanded data from all pages of the return and supporting schedules will go through edit checks and those that don't meet new and existing logic criteria will 'fall out' to IVS for further analysis and processing by staff. EDR has enabled FTB to automate some of the most routine validation work. However, the validation edits (based on additional tax return data that is now captured) are also being expanded resulting in an increase in resources needed to process returns. This additional data is used throughout the department in the compliance activities and allows FTB to increase revenue from these compliance activities by up to \$1 billion annually. These additional validation rules also detect common mistakes on tax returns up front and allow FTB to issue notification to taxpayers regarding additional tax owed or of a refund if applicable. FTB requests additional resources to allow FTB to edit and validate more tax return data currently not captured from paper returns.

*Scanning, Correspondence Association and Electronic Tingle Table (4 permanent positions, 20 temporary help to permanent positions, and 20 temporary positions)*

FTB requests resources for the ongoing year-round scanning workload. With the implementation of EDR, all pages of personal income and business entity returns and correspondence are scanned. This enhances the

## **Analysis of Problem**

ability to capture data, allows downstream users with a business need to access the image of the document at the earliest possible point, reduces the physical storage required for the paper returns, and moves the department toward a paperless work environment. Pages scanned went from around 20 million in 2010-11 to an estimated 83 million for fiscal year 2014-15.

Correspondence Association was a new workload that began the pilot phase in July 2013 with the processing of correspondence in the EDR solution. The Association workload links incoming correspondence with the appropriate entity in order to enable staff from throughout the department to process correspondence. This workload requires staff to 'associate' paper mail to the taxpayer within the MyFTB applications. It allows correspondence to be viewable on the taxpayer's account in the taxpayer folder at the earliest possible point. This helps contact centers and other areas provide the best service to the customers when they receive a taxpayer contact or they are working on a taxpayer's account. Prior to correspondence being added to the taxpayer folder, the paper correspondence was routed to the appropriate business area to be worked. If a taxpayer contacted FTB or if a business area worked the taxpayer's account, they would not know that the taxpayer had sent correspondence. In July 2014, the EDR correspondence pilot expanded, increasing the amount of correspondence scanned into the EDR solution. FTB has been using temporary help funds to do this workload, but the work is ongoing and permanent funding and position authority is needed.

There are 33 FTB forms that are formatted for auto-association. Approximately 500 other FTB and non-FTB form correspondence will require association by Association staff. The workload requires staff to link incoming correspondence with the appropriate entity in order to enable staff from throughout the department to process correspondence. The Association workload has grown significantly since fiscal year 2013-14 and will be a permanent workload moving forward.

The Electronic Tingle Table workload is a new workload to address fallout from Form Based Routing. Currently correspondence is manually sorted by mail stop or PO Box into cubbies or boxes and prepared for scanning. A batch separator is placed on every batch. The batch separator has identifying information that allows the system to route the entire batch to the appropriate workbasket. With form based routing, FTB forms formatted for auto-routing will be separated out, scanned, and auto-routed to the appropriate workbasket. A final sort to the mail stop and multiple batch separators will no longer be required. Forms not recognized will fall out to staff, analyzed, and then electronically routed by Association staff. Correspondence not formatted for auto-routing will continue to be sorted and routed by batch separator. Beginning July 1, 2015, FTB will implement Form Based Routing (auto-routing) of most FTB generated correspondence forms. This will be a new workload that will address forms that fail to auto-route. Staff will be required to electronically route the image of these forms to the appropriate workbasket in the Case Management system.

## **Finance & Executive Services Division**

### ***Business Process Management and Reengineering (2 year Limited Term Funding)***

Business Process Management (BPM) and reengineering allows FTB to look at processes across the organization to determine if they are running at peak efficiency. It applies to processes that are manual or performed by a computer application.

FTB currently has a list of over 100 requests pending for expansion or enhancement of the recently deployed EDR deliverables. These enhancements are outside of the scope of the project but will enhance the operations if these changes are pursued. These enhancements could generate additional revenue, make the processes more cost efficient, or optimize processes to reduce or eliminate backlogs. These enhancements will also allow FTB to fully optimize EDR deliverables.

On an annual basis, FTB updates the systems for recent law changes and desired enhancements proposed by the business areas. As a result of the significant changes to the systems due to EDR, FTB has an opportunity to continue to look for and address system enhancements.

These staff will be responsible for working with process owners throughout the department to identify and prioritize areas where process improvements can be pursued to increase revenue or decrease costs or duration of an activity. These staff must first document the existing process – 'As Is' including an analysis of all

## **Analysis of Problem**

inputs and outputs (upstream and downstream operations) to that the process. Inputs and outputs are staff, processes, or systems that support or rely on the specific process desired to be improved. These staff members must understand and document the full process flow of work and then work with the business area and IT staff to determine and document the 'To Be' new process. Again, this new process must consider impacts to all upstream and downstream processes. Similar work efforts by the EDR vendor have shown the analysis work to take between 200 – 1500 hours depending on complexity of the process, risks to modifying the process, and number of inputs and outputs. Successfully completing this process will allow FTB to enhance operations with controlled or no risks to FTB operations as well as assisting with the development, testing, and deployment of the solution.

Additionally, staff will also work closely with the business areas to understand potential processes, do an initial evaluation of benefits, risk, and complexity to allow for easier prioritization of the process.

Staff will also be required to annually review the "As-Is" processes to ensure they are kept up to date and thus allow for easier enhancements in the future either to the same process or an upstream or downstream process.

### *Procurement (2 year Limited Term Funding)*

Although FTB is exercising an M&O Option Period, there are still additional procurements that FTB is responsible for conducting. In 2016-17 FTB estimates up to 52 contracts, due to third party software license agreements and refresh and upgrade efforts will need to be negotiated. FTB's existing universe of IT contracts is roughly 500. In addition to the procurement activities in 2016-17 there will be extensive planning required, in some cases six months to work with the Technology Services staff, in order to plan and execute the procurements for 2016-17 and especially as FTB moves towards 2017-18 and 2018-19.

## **Technology Services Division**

### *IT Help Desk (1 permanent position)*

Now that EDR has delivered eight out of its nine major deliverables, all the new EDR systems are now in production. These are the Taxpayer Folder/MyFTB, Return Filing, Return Analysis, and Case Management systems with over 10,000 combined users across the applications. To date, the Solution Provider has been providing IT service desk support for these systems. Now that the project is entering the final year of the project, service desk support must now transition over to the state staff. One permanent IT resource is now required to provide the service and support of the new EDR applications.

The Service Desk analyst will be responsible for managing intake of all incidents (technical issues, defects and system errors) and requests (customer service requests such as software installs, "how to" questions or hardware replacements) in support of the new EDR applications.

Based on the complexity of the new systems and the Solution Provider support resolution rates for 2014-15, FTB has found the rate to resolve and support the new EDR applications is lower than the usual IT service desk analyst resolution rates. This is primarily due to the increase in the complexity and knowledge required to support the newer technologies, multiple interfaces and data feeds used to develop these systems. Based on the last year of Solution Provider support, the analyst position is needed to support 625 incidents and 150 service requests at a resolution rate of 2 hours and 4 hours respectively.

As EDR implements its final deliverable in 2015-16, FTB is projecting another increase in the number of incidents and requests the IT service desk will be required to support. FTB is not requesting additional IT service desk resources for this increase, at this time, since the current EDR resolution rates should increase enabling these calls to be handled with this one additional resource being requested.

## **Analysis of Problem**

### **e. Upgrade IT positions for increased knowledge levels required for M&O**

Due to the increased knowledge and skills required to support the EDR solution, FTB is also requesting \$1.3 million in additional funding to increase the classification levels of the staff that will now be required to support and maintain the EDR solution. This funding is needed starting in 2016-17.

The EDR project has introduced highly complex technical environments needed to support both the custom EDR software and the many commercial-off-the-shelf (COTS) software solutions being delivered to FTB as part of the EDR project. In addition, the EDR Solution is comprised of the most sophisticated set of data integration technology and toolsets that FTB has seen to date. The data architecture comprises over 400 tables alone and synchronizes data between 12 FTB legacy and COTS systems, 35 Third Party data sources and impacts the majority of FTB program areas as well as external MyFTB customers. EDR project success is dependent on FTB IT staff's ability to manage, maintain, and operate these highly complex technical environments. The complexity of these workloads and expanding responsibilities necessitates higher classification levels of staff.

### **f. Compensation Payments to the Solution Provider in 2016-17**

The EDR project is using a benefits-based compensation model. This means that payments to the Solution Provider are based on the benefits (revenue) generated from the EDR solution that the state receives. If the state does not receive increased revenue, then the contractor does not receive payment. This approach shifts much of the financial risk to the contractor. Payments are computed and made quarterly based on designated revenue streams and can move between quarters. Quarterly payments can be delayed if certain project management and performance objectives are not met by the Solution Provider. The estimated Solution Provider quarterly payments for 2016-17 (July through December) is \$39.9 million (projected 10 percent holdback amount across the entire project).

## **E. Outcomes and Accountability**

FTB SPR#4 which was submitted to Government Operations Agency on July 3, 2015, updates the previous FTB SPR#3 (approved February 20, 2015), FTB SPR#2 (approved June 9, 2014), SPR#1 (approved November 14, 2011), FSR 08-05 (Project number 7730-191) and provides project authority and details about the project scope, requirements and solution. A cross-section of state staff participates in the FSR and SPR analysis and requirements, including the EDR Project Director, EDR Business Project Director, and dedicated Project Management staff, working with the department's Project Oversight Guidance (POG) Section to oversee project activities, as well as representatives from California Department of Technology who oversee all procurement activities, to ensure all applicable policies, rules, guidelines and procedures are followed. The EDR Project Manager works with POG to monitor project progress and perform communication management, including status reporting consistent with stakeholder and overseer needs. The SPR is the responsibility of the department's Chief Information Officer or delegate. The fiscal oversight of the project is the responsibility of both the California Department of Technology and the Chief Financial Officer (CFO).

See Attachment 2 for Projected Outcomes.

## **F. Analysis of All Feasible Alternatives**

**Alternative 1 - Approve BCP as written. To ensure the current and on-going success and revenue estimates forecasted with the EDR project, the 18 month M&O options, HW/SW refresh and maintenance, 3<sup>rd</sup> party consulting, and Program resource request need to be fully funded and approved.**

Approving this request also allows FTB to fully upgrade the key components of the EDR solution, like the security database or case management system, with a full, highly-experienced expert support team skilled in performing this type of work and thus minimizing any risk to the department, customer service and tax

## **Analysis of Problem**

processing. If not fully funded and approved, FTB's ability to maintain and support the EDR solution or achieve and sustain the revenue estimates forecasted with the project will be impacted.

### **Alternative 2 - Approve BCP except for the program positions for business operations.**

Without the program positions FTB will not be able to fully utilize the tools delivered under the EDR contract and meet the EDR revenue obligations. The program positions are needed to sustain the revenue gains brought about by the successful implementation of EDR. These ongoing workloads will preserve and support FTB's full adoption and utilization of the EDR deliverables. Failure to secure requested program positions would result in a decrease in the project revenue estimates for 2016-17 and the on-going \$1 billion revenue estimate.

### **Alternative 3 - Approve BCP except for the 18 month M&O option with the prime Solution Provider.**

This alternative would require FTB to incur costs for ongoing hardware and software maintenance for the 18 months that are equivalent to the costs included in the M&O option with the Solution Provider. Although equivalent in cost, this alternative does not include program services, which are covered under the M&O option with the Solution Provider. Not funding the request to extend the M&O period with the Solution Provider would put FTB at risk of not having the appropriate knowledge, skills and abilities to support the EDR solution, causing unnecessary system outages, impacts and revenue delays. FTB would also be at risk of being unable to perform enhancements, implement new legislation, or perform critical M&O tasks necessary to keep the EDR systems functioning properly and not impacting FTB's revenue generating capabilities.

### **Alternative 4 – Do not approve the request.**

Failure to have the funding and key positions in place will result in the department not meeting its contractual obligations associated with the EDR project and risk the 2016-17 revenue and hundreds of millions of dollars in revenue anticipated in subsequent fiscal years associated with the EDR initiatives.

## **G. Implementation Plan**

- June 2016 – all documentation to establish permanent positions is prepared and approved by the FTB Budget Officer and forwarded to the Department of Finance.
- June 2016 – Department of Finance notifies FTB of position approval.
- July 1, 2016 – positions are established and FTB begins hiring.
- Ongoing Solution Provider payments will occur quarterly beginning July 2016 through December 2016.
- Solution Provider payments will occur monthly during the Maintenance and Operations period beginning January 2017 through June 2018.

## **H. Supplemental Information**

- Consultant Professional Services (External Contracts) for Solution Provider payment.

## **I. Recommendation**

**Alternative 1 is recommended: Approve \$68 million General Fund and 198 positions.** This alternative is the most desirable alternative to minimize costs and risks and maximize revenue and benefits of the EDR Project. If not fully funded and approved, FTB's ability to maintain and support the EDR solution or achieve and sustain the revenue estimates forecasted with the project will be impacted.

**EDR BCP**  
**Resource History**  
*(Dollars in Thousands)*

EDR Project	PY - 4	PY - 3	PY - 2	PY - 1	PY
Authorized Expenditures	6,935	39,115	96,491	152,152	75,114
Actual Expenditures	4,835	37,680	96,491	152,152	75,114
Revenues	25,380	115,740	338,456	482,722	744,033
Authorized Positions	40	72	165	184	71
Filled Positions	40	71	165	184	71
Vacancies	0	1	0	0	0

**Filing Division**

Authorized Expenditures	100,732	97,696	99,517	104,294	112,409
Actual Expenditures	93,327	94,806	98,334	105,258	112,529
Revenues	681,898	759,883	813,214	810,937	879,331
Authorized Positions	1,289	1,280	1,243	1,224	1,284
Filled Positions	1,181	1,179	1,185	1,144	1,189
Vacancies	108	101	57	80	95

**Procurement Section**

Authorized Expenditures	2,562	2,579	2,343	2,625	2,700
Actual Expenditures	2,247	2,212	2,172	2,366	2,728
Revenues	NA	NA	NA	NA	NA
Authorized Positions	26	27	25	25	25
Filled Positions	24	24	23	23	23
Vacancies	2	3	2	2	2

**TSD - Help Desk**

Authorized Expenditures	5,799	6,849	5,569	3,678	4,714
Actual Expenditures	5,854	6,979	5,743	3,897	5,415
Revenues	NA	NA	NA	NA	NA
Authorized Positions	59	58	60	38	34
Filled Positions	55	66	52	33	44
Vacancies	4	-8	8	5	-10

**EDR BCP**  
**Workload Metrics**

Workload Measures	Past Year 4	Past Year 3	Past Year 2	Past Year 1	Past Year	Current Year	Budget Year	Budget Year 1	Budget Year 2	Budget Year 3	Budget Year 4
<b>VOLUMES</b>	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Business Entities</b>											
Quality Review, Validation & Analysis	209,050	209,050	209,050	209,050	209,050	209,050	209,050	209,050	209,050	209,050	209,050
<b>Information Capture &amp; Banking</b>											
Data Capture - Personal Income Tax - Returns	4,836,000	4,430,000	4,201,000	3,813,000	3,600,000	3,400,000	3,200,000	3,000,000	2,900,000	2,900,000	2,900,000
Data Capture - Personal Income Tax - fields keyed	600	1,300	2,100	2,000	2,200	2,300	2,400	2,500	2,600	2,600	2,600
Data Capture - Business Entity - Returns	1,466,000	551,000	764,000	800,000	608,000	456,000	347,000	330,000	320,000	320,000	320,000
Data Capture - Business Entity - fields keyed	1,800	1,400	2,100	3,500	3,500	3,550	3,600	3,650	3,700	3,700	3,700
Data Capture - Keystrokes	NA	240,000,000	788,000,000	1,531,000,000	1,820,000,000	2,230,800,000	2,678,735,000	3,133,051,250	3,615,663,763	3,615,663,763	3,615,663,763
Return Mail Workload	1,635,000	1,733,000	1,999,000	2,165,000	2,097,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
<b>Information Validation</b>											
Routine Validation	1,231,635	1,246,892	952,186	949,193	1,053,544	389,407	3,630				
Complex Validation	2,705,270	2,901,222	2,601,678	2,641,536	2,613,456	1,035,289	9,650				
Return Analysis	NA	NA	NA	NA	NA	3,224,512	4,947,930	4,961,864	4,961,864	4,961,864	4,961,864
<b>Receiving &amp; Data Storage</b>											
Extractions & Document Preparation	8,569,000	7,346,000	7,597,000	7,410,000	6,226,000	6,763,000	6,434,000	6,217,000	6,107,000	6,107,000	6,107,000
Scanning of Documents (pages)	20,100,000	19,800,000	47,200,000	87,000,000	90,052,000	93,000,000	93,000,000	93,000,000	93,000,000	93,000,000	93,000,000
Electronic Tingle Table	NA	NA	NA	NA	NA	50,000	50,000	50,000	50,000	50,000	50,000
Electronic Association Group	NA	NA	NA	129,000	818,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
<b>Procurement</b>											
Total IT Contracts	\$35,919,285	\$436,483,890	\$30,033,617	\$36,897,396	\$41,655,556	\$38,000,000	\$40,800,000	\$59,000,000	\$77,000,000	\$69,000,000	\$73,000,000
Number of Contracts	366	465	456	459	423	442	478	484	558	477	486
<b>TSD - Help Desk</b>											
EDR Service Requests	NA	NA	NA	NA	302	375	450	450	450	450	450
EDR Incidents	NA	NA	NA	NA	1,254	1,560	1,875	1,875	1,875	1,875	1,875

Section	Classification	Resource Type (Perm, LT, TH, OT)	Tasks (workload)	2016/17 Volume	Production Rate	Hours	New Positions Requested	Risk Impact if Position(s) Not Approved
<b>ADMINISTRATIVE SERVICES DIVISION</b>								
Personnel Services	Personnel Specialist	Perm	<p><b>Personnel Services:</b> In 2016-17 the EDR BCP will add 163 new permanent and temporary employees to the department. Personnel Services Section will be deeply impacted by processing all of the new hire paperwork and ongoing processing, tracking and managing various of mandated tasks.</p> <p>These tasks include, but are not limited to</p> <ul style="list-style-type: none"> <li>- Process payroll and benefits for all perm and temp employees</li> <li>- Process separations</li> <li>- Manage all leave balances and months of service to ensure employees receive proper pay increases</li> <li>- Process all State Disability Insurance/Non- Industrial Disability Insurance, Worker's Comp, and Family and Medical Leave Act (FMLA) paperwork</li> <li>- Process Merit Salary Adjustments and promotions</li> <li>- Process transfers</li> <li>- Verify and report on employee leave balances</li> </ul> <p>Various new mandates and workloads have increased the Personnel Specialists workloads. Some of these include</p> <ul style="list-style-type: none"> <li>- Affordable Care Act</li> <li>- Dependent Eligibility Verification Project</li> <li>- Annual audits by control agencies (State Personnel Board and CalHR)</li> <li>- New/changes to laws, rules and regulations</li> </ul> <p>The statewide ratio is 1 personnel specialist for every 250 employees.</p>	Each Personnel Specialist will be responsible for 387 employees in the department	NA	1,850	1	If this position is not approved, other Personnel Specialists will have to take on additional employees, therefore increasing the ratio of employees to specialists. Increasing the ratio may increase the errors in processing payroll, where employees may not be paid timely, processing benefits timely, where employees may not receive proper medical coverage and processing pay incorrectly resulting in Accounts Receivables. This could also impact our ability to respond timely to SDI, FMLA and Worker's Compensation claims, putting FTB at risk to violating various State and Federal laws, rules and regulations. The department may not be able to meet the 72 hour requirement for timely payment of wages for separating employees as outlined in the government code. Garnishment of wages may also be affected by not meeting the 10 day implementation and processing of new or modified garnishments

Section	Classification	Resource Type (Perm, LT, TH, OT)	Tasks (workload)	2016/17 Volume	Production Rate	Hours	New Positions Requested	Risk Impact if Position(s) Not Approved
<b>FILING DIVISION</b>								
Business Entities (BES)	Associate Operations Specialist	Perm	<b>BES Technical &amp; Analytical Support:</b> The business analyst in this position will provide valuable analytical and workload support for staff processing the most complex business entity returns. This analyst will work as a liaison between the BES business area and other areas of the enterprise such as Filing Division, ARM Division, Audit Division, Administrative Services Division, and Financial and Executive Services Division to ensure that the processing of business entity returns are being handled correctly, timely, and have proper oversight and analytical support to ensure downstream operations such as collections and audit are not impacted with late or incorrect data. This staff member will: <ul style="list-style-type: none"> <li>- Be the point of contact for business users supporting other compliance activities regarding technical questions that arise.</li> <li>- Provide technical and analytical assistance to staff and management within BES for workload questions, procedure changes, problem identification and resolution, and reporting</li> </ul>	NA	NA	1,850	1	Without this position, these technical duties must be shifted to other people in a small team and at lower classifications and technical ability levels. These other staff members are already working at capacity and in many situations are working overtime throughout the year to ensure processing occurs. This would result in staff being tasked with things they are not skilled to complete and are likely outside their classification skills which violate employment rules. Additionally, overtime pay is being paid for a task that should be accomplished at straight pay. Additionally, with the greatly increased amount of data being captured due to EDR, this position will be critical to support the analysis and reporting of that data to our compliance areas throughout the department
Business Entities (BES)	Tax Program Technician II	Perm	<b>BES Quality Review, Validation &amp; Analysis:</b> This position will perform quality review, new return/payment validation and analysis. BE Return and Payment Validation is moving from an overnight batch-oriented process where returns and payments post to our legacy accounting systems overnight, to an online real-time environment where returns and payments will be posted to our legacy accounting systems in real-time as soon as staff validates them. This change in workflow process impacts the quality review cycle of these cases from less urgent and time sensitive, to more urgent and time sensitive. In order for bills and refunds to be issued on cases requiring quality review, they must be worked by a lead/reviewer so that review items can be cleared quickly and transactions approved. With the new real-time processing, the time sensitivity of the review is greatly escalated in order to realize the benefits of the faster processing timeframes- a benefit of the EDR deliverables. Furthermore, with the move to real-time processing, multiple transactions will need to be reviewed at once. This will increase the complexity of the review process, lengthening the time it takes to review each case to ensure accuracy. This workload fluctuates, but historically, BES has approximately 20 full time positions dedicated to this quality review work at any given time. Enhanced processing time allows for taxpayers to get their refunds sooner, receive their bills sooner, and allows compliance staff throughout the department to access data from the most recently filed return which could be related to a phone call, or an audit of an earlier year.	33,300 quality review cases	4.75 cases per hour	7,011	4	Without additional staff to help clear review queues, these transactions will become backlogged. This will greatly reduce the efficiency of the online real-time processing, because bills and refunds will be artificially delayed for longer periods of time. However, if the review process is bypassed in the interest of efficiency, the risk of bills and refunds being incorrect increases dramatically. This leads to additional phone calls and correspondence into the department, along with decreased satisfaction among our customers. Therefore, these staff are needed in order to allow review to be conducted quickly and efficiently and preserve the benefits obtained by shifting return and payment validation to real-time
Information Capture & Banking	Tax Program Supervisor	Perm	<b>Keying Supervisor:</b> Management is needed to provide supervisory guidance on a daily basis and to ensure the daily incoming returns are processed effectively and efficiently	NA	NA	1,850	1	If this supervisory position is not approved, supervision to daily operations will suffer resulting in loss of productivity and efficiencies and accuracy due to lack of guidance for processing issues, reduced reporting and monitoring. This would compromise the quality and efficiency of data captured resulting in potential erroneous notices, delays in return, payment, refund, and correspondence processing, delays in resolving taxpayer accounts and increased phone and correspondence contacts to the contact centers.
Information Capture & Banking	Key Data Operator	TH to Perm	<b>Keying:</b> KDOs perform the keying activities needed in order to update taxpayer information to the taxpayer accounts and various departmental systems. This data is instrumental in achieving EDR efficiencies and revenue generating goals. EDR has implemented significant scanning opportunities to image correspondence and PIT and BE returns to help reduce manual data capture. Keying and utilizing the data with automated tools allows FTB to generate revenue from our collection, audit, and filing enforcement activities at the least amount of cost to the state. This data also allows us to better serve taxpayers when they have questions or concerns about their tax obligations and thus allows these taxpayers to file their returns and pay their correct tax liabilities as quickly as possible. The P/I yearly hour limit is not sufficient and contribute to high attrition rate within the unit.	555,000 returns	20 returns per hour	27,750	15	If ICBS does not have sufficient staffing, work would be prioritized with only the top priority of work being done resulting in loss in revenue, as less data would be captured or data capture would be delayed. This would result in less or delayed asset and tax return data being provided to collectors and auditors and errors identified on returns not being addressed timely or at all. This would also result in delays in return, payment, refund, and correspondence processing
Information Capture & Banking	Key Data Operator	TH	<b>Keying:</b> KDOs perform the keying activities needed in order to update taxpayer information to the taxpayer accounts and various departmental systems. This data is instrumental in achieving EDR efficiencies and revenue generating goals. EDR has implemented significant scanning opportunities to image correspondence and PIT and BE returns to help reduce manual data capture. Keying and utilizing the data with automated tools allows FTB to generate revenue from our collection, audit, and filing enforcement activities at the least amount of cost to the state. This data also allows us to better serve taxpayers when they have questions or concerns about their tax obligations and thus allows these taxpayers to file their returns and pay their correct tax liabilities as quickly as possible.	2,340,000 returns	20 returns per hour	117,000	78	If ICBS does not have sufficient staffing, work would be prioritized with only the top priority of work being done resulting in loss in revenue, as less data would be captured and data capture would be significantly delayed. This would result in less or delayed asset and tax return data being provided to collectors and auditors and errors identified on returns not being addressed timely or at all. This would also result in delays in return, payment, refund, and correspondence processing
Information Capture & Banking	Key Data Operator	Perm	<b>Returned Mail Workload:</b> Beginning January 2016, returned mail (mail that was sent by FTB and returned) will be keyed into the Taxpayer Folder. Previously, returned mail was processed with minimal data captured. The Returned Mail workload will be a permanent workload moving forward. The workload will be consistent throughout the year. Permanent full time staff are requested to ensure continuity of workload processing	305,250 returned mail going through Taxpayer Folder	55 pieces of mail per hour	5,550	3	Without these resources, return mail would not be keyed or would be significantly delayed. This could result in refunds or other correspondence being sent to a bad address if mail is not coded. Taxpayers may not receive due process if addresses are not coded that return mail has been received. In addition, the required second notice would be sent to a bad address. Erroneous letters could be sent out to taxpayers and the cost of sending out erroneous letters, postage, paper, envelopes, fees and manpower would increase. Erroneous assessments would go to collections, which may cause taxpayer accounts to be levied erroneously. Some notices mailed would need to be manually reproduced if they come back as return mail and are not processed.

## EDR BCP Position Workload Metrics

12/29/2015

Section	Classification	Resource Type (Perm, LT, TH, OT)	Tasks (workload)	2016/17 Volume	Production Rate	Hours	New Positions Requested	Risk Impact if Position(s) Not Approved
Information Capture & Banking	Key Data Operator	TH	<b>Returned Mail Workload:</b> Beginning January 2016, returned mail (mail that was sent by FTB and returned) will be keyed into the Taxpayer Folder. Previously, returned mail was processed with minimal data captured. The Returned Mail workload will be a permanent workload moving forward. The workload will be consistent throughout the year.	1,406,000 returned mail going through Taxpayer Folder	55 pieces of mail per hour	25,564	17	Without these resources, return mail would not be keyed or would be significantly delayed. This could result in refunds or other correspondence being sent to a bad address if mail is not coded. Taxpayers may not receive due process if addresses are not coded that return mail has been received. In addition, the required second notice would be sent to a bad address. Erroneous letters could be sent out to taxpayers and the cost of sending out erroneous letters, postage, paper envelopes, fees and manpower would increase. Erroneous assessments would go to collections, which may cause taxpayer accounts to be levied erroneously. Some notices mailed would need to be manually reproduced if they come back as return mail and are not processed.
Information Validation	Tax Program Technician I	TH	<b>Personal Income Tax Return Analysis (RA)</b> - RA is the new EDR process by which tax returns and payments are validated in order to correctly post to the accounting system. RA replaces our current return validation processes and systems. In the new RA system, expanded data from all pages of the return and supporting schedules will go through edit checks and those that don't meet new and existing logic criteria will "fall out" to IVS for further analysis and processing by staff. EDR has enabled the FTB to automate some of the most routine validation work. However, the validation edits (based on additional tax return data that is now captured) are also being expanded resulting in a net increase in resources needed to process returns. This additional data is used throughout the department in our compliance activities and allows FTB to increase revenue from these compliance activities by up to \$1 billion annually. These additional validation rules also detect common mistakes on tax returns up front and allows FTB to issue notification to taxpayers regarding additional tax owed or of a refund if applicable. These resources allow FTB to edit and validate more tax return data currently not captured from paper returns.	1,024,305 documents that fall out for further analysis and processing	20.8	49,245	33	Lack of sufficient staffing will result in backlogs in both RA and existing inventories, causing a delay in processing returns and payments, which increases the risk of paying interest, issuing incorrect assessments, increased calls and correspondence. Lack of sufficient staffing could also result in FTB not utilizing these new rules or capturing additional data which impacts our ongoing ability to generate an additional \$1 billion annually.
Receiving & Data Storage (RDSS)	Office Services Manager I	Perm	<b>RDSS Office Services Manager:</b> This position will manage ongoing permanent workloads associated with EDR including correspondence association (Enterprise Association Group) and the Electronic Tingle Table. The Office Services Manager provides oversight for the day to day operations of these workloads. This includes monitoring and reporting incoming and processed workload volumes and priorities, establishing and reporting workload and performance metrics, monitoring accuracy, identifying and reporting workload trends, identifying and resolving workload issues, and ensuring procedures are accurate and up to date.	NA	NA	1,850	1	If this management position is not approved, oversight to daily operations will suffer resulting in loss of productivity and efficiencies and accuracy due to lack of guidance for processing issues, reduced reporting and monitoring. This would result in delays in resolving taxpayer accounts, interfere with taxpayer due process, delay processing of payments, increase phone calls to contact centers and correspondence (repeat correspondence due to lack of response).
Receiving & Data Storage (RDSS)	Tax Program Supervisor	Perm	<b>RDSS Tax Program Supervisors (TPS):</b> supervise ongoing permanent workloads associated with EDR including correspondence association (Enterprise Association Group) and the Electronic Tingle Table. The TPS provides supervision for the day to day activities for these workloads. This includes assigning work according to priorities, reporting incoming and processed workload volumes, monitoring and reporting workload and performance metrics, monitoring accuracy, identifying and resolving workload issues, and ensuring procedures are accurate and up to date and handling personnel issues.	NA	NA	3,700	2	If these supervisory positions are not approved, supervision to daily operations will suffer resulting in loss of productivity and efficiencies and accuracy due to lack of guidance for processing issues, reduced reporting and monitoring. This would result in delays in resolving taxpayer accounts, interfere with taxpayer due process, delay processing of payments, increase phone calls to contact centers and correspondence (repeat correspondence due to lack of response).
Receiving & Data Storage (RDSS)	Tax Program Technician II	Perm	<b>Correspondence Association &amp; Electronic Tingle Table Lead:</b> The Association workload has grown significantly since fiscal year 2013-14 and along with the Electronic Tingle Table will be a permanent workload moving forward.				1	If this lead position is not approved, daily operations will suffer resulting in loss of productivity and efficiencies and accuracy due to lack of guidance for processing issues, reduced reporting and monitoring. This would result in delays in resolving taxpayer accounts, interfere with taxpayer due process, delay processing of payments, increase phone calls to contact centers and correspondence (repeat correspondence due to lack of response).
			Tasks - Review the Association and Tingle Table workloads - Write and update procedures for the Association workload - Resolve PIT & BE account issues - Special projects - analyze new workloads - Electronic Tingle Table, Bad Address and Return Mail - Train new staff on Case Management, Association of accounts and Electronic Tingle Table - Serve as technical lead for Case Management, Association of accounts and Electronic Tingle Table	NA	NA	1,480		
			Correspondence Association	3,300 transactions	18 transactions per hour	184		
			Association/Electronic Tingle Table Quality Review		NA	186		
			<b>TOTAL HOURS</b>			1,850		
Receiving & Data Storage (RDSS)	Tax Program Technician I	TH to Perm	<b>Correspondence Association, Electronic Tingle Table and Scanning Workloads:</b>				20	Without these resources there would be a delay in processing for incoming PIT and BE returns, payments, and correspondence. This would result in a loss or delay of revenue, potential interest paid on refunds, delays in resolving taxpayer accounts, increased calls, increased correspondence, and interfere with taxpayer's due process. The use of P/I's for these workloads creates a high attrition rate and loss of knowledgeable staff.
			Association Workload - Workload requires staff to link incoming correspondence with the appropriate entity in order to enable staff from throughout the department to process correspondence. The Association workload has grown significantly since fiscal year 2013-14 and will be a permanent workload moving forward. The workload will be consistent throughout the year and require some of the TPTI's to be permanent full time. The P/I yearly hour limit is not sufficient and contribute to high attrition rate within the unit.	466,200 transactions	18 transactions per hour	25,900		
			Electronic Tingle Table Workload - The Electronic Tingle Table will be implemented in fiscal year 2015-16. This new workload will require the TPTI's to process incoming correspondence that was not automatically recognized by the Form ID by the OCR on the scanner. The Electronic Tingle Table workload will be a permanent workload moving forward. The workload will be consistent throughout the year and require some of the TPTI's to be permanent full time. The P/I yearly hour limit is not sufficient and contribute to high attrition rate within the unit.	50,000 documents	27 documents per hour	1,852		
			Scanning - This is the first step of the data capture process where an image of the return is captured for processing including scanning and data extraction tools (2D barcode and OCR).	20,747,750 pages scanned	2,243 pages	9,250		
			<b>TOTAL HOURS</b>			37,002		

Section	Classification	Resource Type (Perm, LT, TH, OT)	Tasks (workload)	2016/17 Volume	Production Rate	Hours	New Positions Requested	Risk Impact if Position(s) Not Approved
Receiving & Data Storage (RDSS)	Tax Program Technician I	TH	Scanning: This is the first step of the data capture process where an image of the return is captured for processing including scanning and data extraction tools (2D barcode and OCR)	67,290,000 pages scanned	2,243 pages	30,000	20	Processing timeframes for incoming PIT and BE returns, payments, and correspondence would suffer due to a limited amount of resources to manage the new EDR processes, additional workload, and existing workloads. This could result in a loss or delay of revenue, potential interest paid on refunds, delays in resolving taxpayer accounts and increased calls. Any delays in the processing of correspondence impacts taxpayers and could result in duplicate responses to FTB notices. The use of PI's for these workloads creates a high attrition rate and loss of knowledgeable staff
<b>FINANCE &amp; EXECUTIVE SERVICES DIVISION</b>								
Business Process Management & Reengineering	Sr ISA Specialist	2 Year LT - funding	<p><b>Business Process Management and Reengineering:</b> These staff will be responsible for working with process owners throughout the department to identify and prioritize areas where process improvements can be pursued to increase revenue or decrease costs or duration of an activity. These staff will address the most complex reengineering efforts</p> <p>These staff will be responsible for working with process owners throughout the department to identify and prioritize areas where process improvements can be pursued to increase revenue or decrease costs or duration of an activity. These staff must first document the existing process – 'As Is' including an analysis of all inputs and outputs (upstream and downstream operations) to that the process inputs and outputs are staff, processes, or systems that support or rely on the specific process desired to be improved. These staff members must understand and document the full process flow of work and then work with the business area and IT staff to determine and document the "To Be" new process. Again, this new process must consider impacts to all upstream and downstream processes. Similar work efforts by the EDR vendor have shown the analysis work to take between 200 – 1500 hours depending on complexity of the process, risks to modifying the process, and number of inputs and outputs. Successfully completing this process will allow FTB to enhance operations with controlled or no risks to FTB operations as well as assisting with the development, testing, and deployment of the solution.</p> <p>Additionally, staff will also work closely with the business areas to understand potential processes, do an initial evaluation of benefits, risk, and complexity to allow for easier prioritization of the process</p> <p>Staff will also be required to annually review the "As Is" processes to ensure they are kept up to date and thus allow for easier enhancements in the future either to the same process or an upstream or downstream process</p>	2 - 4 efforts a year	600 - 1500 hours per effort	3,300	2	FTB currently has a list of over 100 requests pending for expansion or enhancement of the recently deployed EDR deliverables. These enhancements are outside of the scope of the project but will enhance our operations if we are able to pursue these changes. These enhancements will generate additional revenue, make our processes more cost efficient, or optimize processes to reduce or eliminate backlogs. These enhancements will also allow FTB to fully optimize EDR deliverables. If BPM resources are not received, FTB runs the risk of not being able to implement these enhancements or could modify a business process that is not at its most efficient thus not allowing FTB to maximize automated enhancements
<b>TECHNOLOGY SERVICES DIVISION</b>								
Procurement - Information Technology Acquisitions	Staff Information Systems Analyst	2 Year LT - funding	<p><b>IT Procurements:</b> This position will prepare solicitation documents and contracts for EDR related contracts (hardware and software refresh and services contracts). After the M&amp;O Option Period, with the transition of the EDR Solution to FTB, Procurement staff will be responsible for a significant increase in contracts for the technology supporting these new tools. Currently, the Solution Provider is responsible for these procurements. FTB anticipates numerous contracts as well as additional complexity for some of the existing contracts</p> <ul style="list-style-type: none"> <li>- 2016-17 - Approximately 27 contracts (*14 third party license agreements, 9 hardware/software refresh, 1 contract support, 1 product upgrade, and 1 EDR contract amendment)</li> <li>*Third Party Software License Agreements - These are separate and distinct from the services (including hardware and software maintenance) that we are receiving for exercising the Maintenance and Operations periods. Per the terms of the EDR contract software for the EDR Solution must be purchased by and licensed to the Contractor, but a provision of acceptance is that the SP is required to work with software manufacturers/resellers and the State to enter into Third Party Software Contracts to transition the licenses to the State. These are zero dollar contracts, where the manufacturers/resellers enter into a contract with the State and accept the State's terms and conditions</li> <li>- Current staffing levels - 10</li> <li>- IT procurement transactions (Contracts, Purchase Orders, Contract and Purchase Order Amendments, Service Agreements, Trial Agreements, Financing Packages and participation on project teams and FSR development) per year - approx 434 (43 per staff member)</li> <li>- Over past 3 years, not counting the \$401M EDR Solution Provider Contract, FTB has averaged \$38M in contract expenditures.</li> </ul> <p>Although FTB is exercising an M&amp;O Option Period, there are still additional procurements that FTB is responsible for. In addition to the procurement activities in 2016-17, there will be extensive planning required, in some cases six months to work with our customers in the Technology Services Division, in order to plan and execute the procurements for 2016-17 and especially as we move towards 2017-18 and 2018-19. Getting a resource on board in 2016-17 is critical because it can take 6-12 months to train and bring a procurement analyst up to speed to handle these more complex procurements.</p> <ul style="list-style-type: none"> <li>- 2017-18 - Approximately 24 contracts (20 hardware/software refresh, 1 contract support, and 3 product upgrades)</li> <li>- 2018-19 - Approximately 89 contracts (31 hardware/software refresh, 1 contract support, 63 hardware/software maintenance)</li> </ul>	27 transactions	24-78 hours per transaction	1,377	1	Existing staff are not able to absorb all the incoming work without compromising their ability to meet the required implementation or expiration dates. If the Procurement Bureau cannot support all of the department's needs, in a timely way, FTB could be faced with not having adequate support in case of equipment failures resulting in numerous issues, including lost or delayed revenue, problems with providing services to taxpayers, being out of compliance with manufacturer requirements and health and safety concerns. FTB may face legal risks if contracts are not processed appropriately
<b>TOTAL HOURS</b>								
<b>TOTAL HOURS</b>								
<b>1,857</b>								

Section	Classification	Resource Type (Perm, LT, TH, OT)	Tasks (workload)	2016/17 Volume	Production Rate	Hours	New Positions Requested	Risk Impact if Position(s) Not Approved
IT Service Desk	Associate Information Systems Analyst	Perm	<p><b>IT Service Desk:</b> Now that EDR has delivered 7 out of its 8 major deliverables, all the new EDR systems are now in production. These are the Taxpayer Folder/MyFTB, Return Filing, Return Analysis, and Case Management systems with over 10,000 combined user across the applications. To date, the solution provider has been providing IT service desk support but now that the project is entering the final year of the project, service desk support must now transition over to the state staff. With that, one permanent IT resource is now required to provide the service and support of the new EDR applications.</p> <p>The Service Desk analyst is responsible for managing intake of all incidents (technical issues, defects and system errors) and requests (customer service requests such as software installs, "how to" questions or hardware replacements) in support of the new EDR applications.</p> <p>Based on the complexity of the new systems and the solution provider support resolution rates for 2014-15, we have found the rate to resolve and support the new EDR applications is lower than our usual IT service desk analyst resolution rates. This is primarily due to the increase in the complexity and knowledge required to support the newer technologies, multiple interfaces and data feeds used to develop these systems. Based on the last year of solution provider support, the analyst position is needed need to support 625 incidents and 150 service request at a resolution rate of 2 hours and 4 hours respectively.</p> <p>As EDR implements its final deliverable in FY 15/16, we are projecting another increase in the number of incidents and requests the IT service desk will be required to support. FTB is not requesting additional IT service desk resources for this increase, at this time, since we feel our current EDR resolution rates should increase enabling these calls to be handled with this one additional resource being requested.</p>	625 incidents  150 service requests	Incident = 0.5  Service request = 0.25	1.850	1	The IT Service Desk is unable to absorb this additional work on a long term basis without significant negative impact to the overall customer service levels provided FTB staff and taxpayers. Failure to approve this request will impact staff and taxpayers needing assistance with the new EDR applications and may affect taxpayer's ability to timely file and pay taxes and FTB's ability to collect revenue for the State of California. Failure to approve this request may also have a negative impact on customer service including longer wait times, reduced level of access and extended time frames resolve IT issues affecting taxpayers and FTB staff

New Permanent

15

New TH

148

TH to Perm

35

**TOTAL POSITIONS REQUESTED**

198

# BCP Fiscal Detail Sheet

BCP Title: Enterprise Data to Revenue Project

DP Name: 7730-101-BCP-DP-2016-GB

## Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Positions - Permanent	0.0	198.0	198.0	198.0	198.0	198.0
<b>Total Positions</b>	<b>0.0</b>	<b>198.0</b>	<b>198.0</b>	<b>198.0</b>	<b>198.0</b>	<b>198.0</b>
Salaries and Wages						
Earnings - Permanent	0	3,431	3,431	3,195	3,195	3,195
Earnings - Temporary Help	0	5,262	5,262	5,262	5,262	5,262
<b>Total Salaries and Wages</b>	<b>\$0</b>	<b>\$8,693</b>	<b>\$8,693</b>	<b>\$8,457</b>	<b>\$8,457</b>	<b>\$8,457</b>
Total Staff Benefits	0	2,410	2,410	2,300	2,300	2,300
<b>Total Personal Services</b>	<b>\$0</b>	<b>\$11,103</b>	<b>\$11,103</b>	<b>\$10,757</b>	<b>\$10,757</b>	<b>\$10,757</b>
Operating Expenses and Equipment						
5301 - General Expense	0	224	158	156	156	156
5302 - Printing	0	6	6	6	6	6
5304 - Communications	0	121	121	119	119	119
5320 - Travel: In-State	0	24	0	0	0	0
5322 - Training	0	80	0	0	0	0
5324 - Facilities Operation	0	159	0	0	0	0
5340 - Consulting and Professional Services - External	0	55,908	31,828	48	48	348
5346 - Information Technology	0	417	18,231	36,000	36,000	36,000
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$56,939</b>	<b>\$50,344</b>	<b>\$36,329</b>	<b>\$36,329</b>	<b>\$36,629</b>
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$68,042</b>	<b>\$61,447</b>	<b>\$47,086</b>	<b>\$47,086</b>	<b>\$47,386</b>

## Fund Summary

Fund Source - State Operations						
0001 - General Fund	0	68,042	61,447	47,086	47,086	47,386
<b>Total State Operations Expenditures</b>	<b>\$0</b>	<b>\$68,042</b>	<b>\$61,447</b>	<b>\$47,086</b>	<b>\$47,086</b>	<b>\$47,386</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$68,042</b>	<b>\$61,447</b>	<b>\$47,086</b>	<b>\$47,086</b>	<b>\$47,386</b>

## Program Summary

Program Funding						
6280010 - Personal Income Tax	0	44,908	40,554	31,317	31,317	31,515
6280019 - Corporation Tax	0	23,134	20,893	15,769	15,769	15,871
<b>Total All Programs</b>	<b>\$0</b>	<b>\$68,042</b>	<b>\$61,447</b>	<b>\$47,086</b>	<b>\$47,086</b>	<b>\$47,386</b>

## Personal Services Details

Positions		Salary Information								
		Min	Mid	Max	CY	BY	BY+1	BY+2	BY+3	BY+4
1103 -	Office Svcs Mgr I				0.0	1.0	1.0	1.0	1.0	1.0
1303 -	Personnel Spec				0.0	1.0	1.0	1.0	1.0	1.0
1419 -	Key Data Opr				0.0	113.0	113.0	113.0	113.0	113.0
1470 -	Assoc Info Sys Analyst (Spec)				0.0	1.0	1.0	1.0	1.0	1.0
5334 -	Assoc Operations Spec				0.0	1.0	1.0	1.0	1.0	1.0
9587 -	Tax Program Techn I				0.0	73.0	73.0	73.0	73.0	73.0
9588 -	Tax Program Techn II				0.0	5.0	5.0	5.0	5.0	5.0
9589 -	Tax Program Supvr				0.0	3.0	3.0	3.0	3.0	3.0
TH00 -	Temporary Help				0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Positions</b>					<b>0.0</b>	<b>198.0</b>	<b>198.0</b>	<b>198.0</b>	<b>198.0</b>	<b>198.0</b>

Salaries and Wages	CY	BY	BY+1	BY+2	BY+3	BY+4
1103 - Office Svcs Mgr I	0	56	56	56	56	56
1303 - Personnel Spec	0	44	44	44	44	44
1419 - Key Data Opr	0	3,909	3,909	3,909	3,909	3,909
1470 - Assoc Info Sys Analyst (Spec)	0	67	67	67	67	67
5334 - Assoc Operations Spec	0	62	62	62	62	62
9587 - Tax Program Techn I	0	2,722	2,722	2,722	2,722	2,722
9588 - Tax Program Techn II	0	208	208	208	208	208
9589 - Tax Program Supvr	0	131	131	131	131	131
TH00 - Temporary Help	0	1,494	1,494	1,258	1,258	1,258
<b>Total Salaries and Wages</b>	<b>\$0</b>	<b>\$8,693</b>	<b>\$8,693</b>	<b>\$8,457</b>	<b>\$8,457</b>	<b>\$8,457</b>

Staff Benefits						
5150150 - Dental Insurance	0	32	32	30	30	30
5150200 - Disability Leave - Industrial	0	2	2	2	2	2
5150210 - Disability Leave - Nonindustrial	0	7	7	7	7	7
5150350 - Health Insurance	0	570	570	538	538	538
5150450 - Medicare Taxation	0	126	126	123	123	123
5150500 - OASDI	0	540	540	525	525	525
5150600 - Retirement - General	0	832	832	775	775	775
5150700 - Unemployment Insurance	0	263	263	263	263	263

5150750 - Vision Care	0	5	5	5	5	5
5150800 - Workers' Compensation	0	33	33	32	32	32
<b>Total Staff Benefits</b>	<b>\$0</b>	<b>\$2,410</b>	<b>\$2,410</b>	<b>\$2,300</b>	<b>\$2,300</b>	<b>\$2,300</b>
<b>Total Personal Services</b>	<b>\$0</b>	<b>\$11,103</b>	<b>\$11,103</b>	<b>\$10,757</b>	<b>\$10,757</b>	<b>\$10,757</b>